STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Central Illinois Public Service Company (AmerenCIPS) and Union Electric Company (AmerenUE)	:	
	:	Docket No. 00-0802
Central Illinois Public Service Company and Union Electric Company request for approval of revisions to delivery services tariffs, and for approval of Delivery Services Implementation Plan for Residential Customers.	:	

PETITION FOR REHEARING OF
THE AMEREN COMPANIES

Central Illinois Public Service Company ("AmerenCIPS") and Union Electric Company ("AmerenUE") (jointly, the "Ameren Companies") submit this Petition for Rehearing of the Commission's December 11, 2001 Order (the "Order") in this matter.[1] The Ameren Companies' rehearing request is limited to the Commission's treatment of the Ameren Companies' proposal to implement a new rider, Rider SG, to establish stand-by service charges for customers who rely on self- or distributed-generation ("SG").

The Order overrules the Administrative Law Judge, and manifests an abrupt reversal of rate design policy and philosophy in order to promote the development of SG in this State. While Ameren has no objection to development of self generation, the rate effect on non-SG customers of the Commission's actions is unfair, and will become decidedly more so the greater the level of SG development -- unless standby service is priced properly. If the Commission does not revise the Order to permit the implementation of Rider SG, non-SG customers will be

[1] The Order was served on December 12, 2001.

required to absorb an increasing share of the largely fixed costs of electricity distribution as distributed generation (SG) projects are installed.

Stand-by service is, in effect, insurance -- SG-customers are insuring that supply is available in the event their own generation is out of service. Rider SG would assess monthly premiums for such insurance, since the Ameren Companies must size and maintain their distribution systems to be able to handle the SG load at any (and every) moment.

By rejecting Rider SG, and approving the "pay as you go" pricing proposed by Staff, the Commission is approving a unique system of insurance premiums. As a result of the Order, SG customers need only pay the "premium" in the month they make "claims." If this were automobile insurance, the policy holder would not have to pay a premium for any month in which s/he did not have an accident. Here, although the investment is there ready to serve the customer, the customer pays nothing until and unless, and only to the extent, actual deliveries are made.

Since the utility's overall investment in its delivery system will not be reduced by virtue of the customer's reliance on self-generation, the introduction of self-generation will not appreciably reduce the utility's cost. This means that remaining non-SG customers will have to bear the burden that was formerly borne by the SG customers. The costs assessed to non-SG customers will go up, while their level of service will remain the same. This does not represent sound regulatory policy.

In the Order, the Commission asserts that Rider SG provides no incentive to peak shave. Presumably, the Commission means that there will be no incentive other than that provided by the relative cost of the generating options (SG vs. purchased). The peak shaving concern is primarily that of a production capacity nature. The shifting or shaving of demand from the utility's peak has little or no effect on the local distribution facilities required to serve a given customer. These local facilities are designed and constructed to serve the customer's peak load regardless of when such peak occurs. Therefore, SG should not be expected to produce any additional delivery cost benefit at system peak. The system is still required to be prepared to serve the customer's peak and the customer should bear the associated cost.

The Commission also states that it is troubled that Rider SG sends a signal that reliable self-generation has no advantage over unreliable self-generation. Reliable SG does have an advantage -- it does not subject SG customers to the volatility of the generation spot markets to the same degree as unreliable SG. Beyond that, Ameren must stand ready to serve the customer in event of SG failure -- which is why the customer wants stand by service. Accordingly, reliable and unreliable SG place similar burdens on a largely fixed cost operation. Costs are not reduced simply because a customer is not taking minute-to-minute deliveries.

Moreover, as the Order acknowledges (pp 62), Ameren indicated if a SG customer could demonstrate an ability to shed or reduce its load when its SG facility is not operating, Ameren would not object to modifying Rider SG to allow that SG customer the opportunity to contract for a specific level of backup delivery services demand. Consequently, a customer with truly reliable self-generation would have an advantage because it can elect to not take Rider SG if it could demonstrate the ability to curtail load in the unlikely event its reliable self-generation was curtailed.

As explained in the Ameren Companies' Initial Brief (pp. 6-12), the Ameren Companies have proposed Rider SG to assess SG delivery services customers their fair share of the costs of the system that stands ready to serve them when their SG is not in service. Rider SG is no different from Ameren's existing electric and gas standby rates that the Commission has approved previously. Under AmerenCIPS' electric Rider 2 (Ill. C.C. Schedule No. 15), for example, customers contract for a level of standby service, and pay a monthly demand charge reflecting the level of standby service, regardless of whether it is ever "actually" used (i.e., pulled through the meter). Similarly, both system gas and gas transportation customers pay monthly charges for contracted standby amounts, regardless of whether the customers make full use of their standby service level (Rider T and Rider S, Ill. C.C. Schedule No. 10F).

Here, however, the Commission directs Ameren to provide SG customers with what amounts to free standby service. SG customers would have full standby service, at all times, for which these standby customers would pay no demand charges.

This marks an extraordinary departure from the principles of pricing standby service reflected in the Companies' existing standby service tariffs. Where the Commission has clearly seen it appropriate in the past to require standby customers to bear a portion of the costs of the system prepared to serve them in proportion to their potential load, the Commission now views the same pricing model as not sending proper price signals.

The Order is also inconsistent with recent expressions of the Commission's views on distribution system cost causation and cost recovery. Recently, the Commission voiced concern regarding three proposals to implement tariff changes that would have increased the free footage amount of line extensions from the level allowed in Part 410, Subpart E. Specifically, the Commission has expressed concern that the existing Part 410 rule is already overly generous regarding free footage and any additional free footage would result in additional cross-subsidization of those customers who require longer line extensions. The Commission has instructed the Commission's Staff to initiate preparations for a rulemaking to consider reducing the free footage allowances in Part 410, Subpart E. Two of the extension proposals have since been withdrawn and the third was denied by the Commission on December 19, 2001. While we take no position in this pleading as to the reasonableness of existing Part 410 requirements with regard to free footage for line extensions, we believe that the Commissioners properly framed the concern that cost-causers must be cost-payers. Here the Companies will be required to maintain distribution facilities for the benefit of SG customers, who will pay, for only short periods, rates that assume year-round collection. The shortfall will be borne by other customers.

Further, the purported benefits of SG to the distribution system are apparently largely a matter of faith. Staff provided no cost-benefit analysis, no matter how rudimentary, of SG. Staff merely -- and repeatedly -- asserted that SG would be beneficial to the Ameren system, if SG could develop in large numbers. As discussed in the Ameren Companies' Initial Brief (pp. 11-12), however, there is no basis for concluding that SG can or will develop in that manner on the Ameren system.

Lastly, it is not distortionary in any respect to charge standby customers an appropriate fee for standby service. If recognition of that appropriate fee produces a different result in the customer's decision-making process with respect to SG, that does not mean that there is something wrong with the fee. An analysis of whether SG is economic should reflect all appropriate costs, including the cost of standby service. It is distortionary to pretend that there are no standby service costs. While such a subsidy may result in the introduction of more SG, it does not follow that either the system or other customers will benefit. One thing, though, is clear -- introduction of SG without proper standby charges will shift costs to non-SG customers, with no quantifiable benefit to them in either the short or the long run.

The Commission should adhere to its existing pricing policy with respect to standby service and modify the Order to price standby delivery services for SG customers in the manner proposed by the Ameren Companies.

Respectfully submitted,

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Dated: January 11, 2002

CERTIFICATE OF SERVICE

I, Christopher W. Flynn, an attorney, hereby certify that I caused copies of the foregoing Petition for Rehearing of the Ameren Companies to be served on the individuals listed on the attached Service List via U.S. first-class mail on January 11, 2002.

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DOCKET 00-0802
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